GINDALBIE COMMENCES SHINE FEASIBILITY STUDY FOLLOWING JORC RESOURCE ESTIMATE

AIM TO FAST-TRACK DEVELOPMENT & PRODUCTION FROM HEMATITE DEPOSIT 40km NE OF KARARA

Gindalbie Metals Limited (ASX: **GBG** – "Gindalbie") is pleased to advise that it has commenced a Feasibility Study on development options for the **Shine Iron Ore Deposit**, part of its 100%-owned Warriedar Project in Western Australia's Mid West region, following the completion of a Mineral Resource estimate for the hematite mineralisation. The Mineral Resource estimate has been classified and reported using the guidelines of the 2004 JORC Code.

The Shine Deposit, which is located approximately 40km north-east of the flagship Karara Iron Ore Project, has moved into feasibility mode and forms part of Gindalbie's broader 100%-owned tenement portfolio in the Mid West region. This tenement package extends over an area of 1,900 sq km providing a strong pipeline of future growth opportunities for the Company.

Gindalbie recently completed the acquisition of a 40 per cent minority interest in the Warriedar Project from Royal Resources Limited, consolidating 100 per cent ownership of the Iron Ore Project (*see ASX Announcements of 14 July and 28 November 2011*).

The Mineral Resource estimate for the Shine Deposit was completed by Snowden Mining Industry Consultants ("Snowden") based on successful drilling programs undertaken by Gindalbie over the past year. The Mineral Resource, reported above a 55% Fe cut-off grade, is set out below:

Shine Hematite Mineral Resource

	Tonnes (Mt)	Fe%	SiO2%	AL2O3%	P%	LOI%
Indicated	5.7	59.1	9.13	1.78	0.084	3.89
Inferred	1.7	57.8	10.69	1.13	0.074	4.31
Total	**7.3**	**58.8**	**9.48**	**1.63**	**0.081**	**3.99**

*** small discrepancies may occur due to rounding**

The Feasibility Study will examine all options to develop the Shine Deposit, with the objective of moving it into production as rapidly as possible. The Feasibility Study will include additional in-fill and sterilization drilling, examination of processing and transport options and consideration of potential off-take arrangements.

The extensive infrastructure being developed as part of the Karara Project provides the option to potentially truck Shine ore to Karara for transport to Geraldton via the Rail and Port solutions currently being implemented.

The Feasibility Study is expected to be completed around mid-2012.

Gindalbie's Managing Director, Mr Tim Netscher, said the Shine Project resource estimate and Feasibility Study was a good example of the high quality business development opportunities being pursued by the Company outside of the Karara Project.

"Importantly, this is a 100 per cent owned project opportunity which could leverage off the high quality infrastructure network we are establishing at Karara," he said.

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The information in this report that relates to the Exploration results and data that was used to compile the Mineral Resource estimates is based upon information compiled by Ian Shackleton. Ian Shackleton is a member of the Australasian Institute of Geoscientists (MAIG) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a competent person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ian Shackleton is a full-time employee of Gindalbie Metals Limited. Ian Shackleton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Mineral Resources is based upon information compiled by John Graindorge. John Graindorge is a member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a competent person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd. John Graindorge consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

BACKGROUND ON THE SHINE RESOURCE

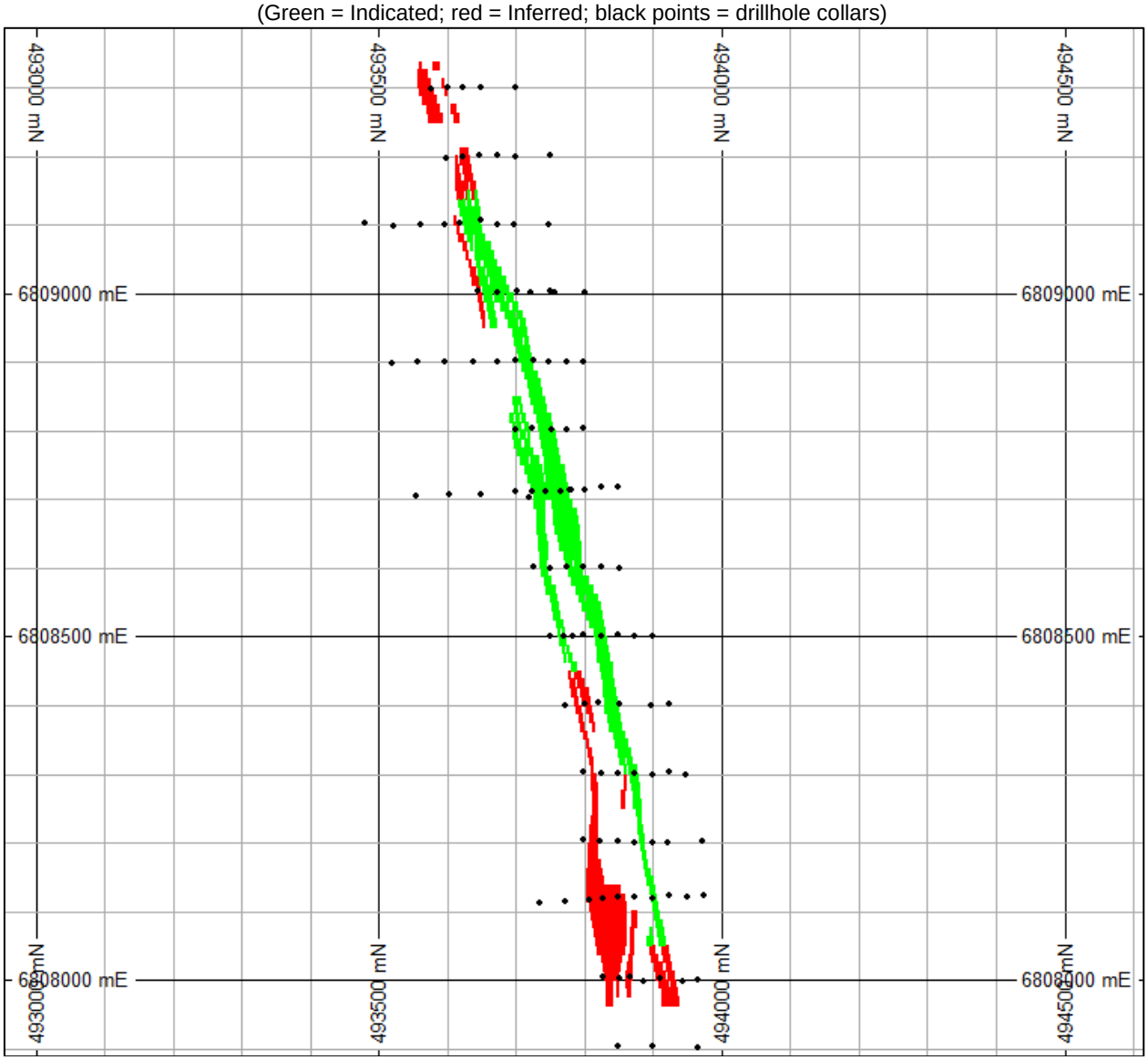
Iron mineralisation at the Shine Deposit is hosted within a steeply dipping (almost sub-vertical) banded iron formation (BIF). The BIF unit has a strike length of approximately 1.5km and is approximately 50m to 90m wide. Iron mineralisation within the BIF occurs as two sub-parallel zones which occur along the full strike length of the BIF and are up to 30m wide.

The mineralisation occurs as magnetite below the base of oxidation (approximately 100m from surface) and hematite above this level. Only the hematite mineralisation has been modelled in the current Mineral Resource estimate.

Snowden estimated Fe, SiO_2, Al_2O_3, P, LOI, CaO, K_2O, MgO, MnO, Na_2O, S and TiO_2 block grades using ordinary block kriging. Only the hematite mineralisation has been estimated. In situ bulk density values were estimated into the model blocks by ordinary kriging, based on downhole geophysical logging of drillholes across the deposit. The Mineral Resource has been classified and reported in accordance with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 2004 JORC Code). The resource classification was based on a review of the underlying data quality along with an assessment of the level of confidence in the understanding of both the geological and grade continuity.

Figure 1: Plan view (315 mRL) showing Shine resource classification scheme

(Green = Indicated; red = Inferred; black points = drillhole collars)



JORC Code (2004) Table 1 – sampling techniques and data

Item	Comments
Sampling techniques	• The bulk of the data used for resource estimation is based on the logging and sampling of RC drilling. RC samples were collected using a cone splitter.
Drilling techniques	• The majority of drilling was completed using RC holes (72 % of drilling). The remaining holes (28% or drilling) were completed using diamond drilling.
Drill sample recovery	• Sample recovery information is indicative only but suggests that the majority of samples have achieved a moderate to high sample recovery.
Logging	• Outcrop of banded iron formation is validated at depth by the drilling. • Logging of drillhole samples was done with sufficient detail to meet the requirements of resource estimation and mining studies.
Sub-sampling	• A nominal 1 m sample interval was used for the RC drilling; core sample intervals were broken on major lithological boundaries. • Diamond drillhole samples consisted predominantly of half core cut using a diamond saw; RC samples were split using a cone splitter.
Quality of assay data and laboratory tests	• Snowden's analysis of the QAQC data for the Shine deposit did not identify any significant issues with the assay data which could be material to the resource estimate (see Section **Error! Reference source not found.**).
Verification of sampling and assaying	• Snowden has not conducted any independent verification of the
Location of data points	• The grid is based on the MGA 94 Zone 50 grid datum. Collar locations are surveyed routinely using RTK GPS. • Downhole surveys were collected for the majority of drillholes using gyro techniques, which is not effected by the magnetism of the BIF host rock.
Data spacing and distribution	• The drilling was completed along a set of east-west trending sections. The section spacing is approximately 100 m apart. • This section spacing is sufficient to establish the degree of geological and grade continuity necessary to support the resource classifications that were applied. • The drilling was composited downhole using a 1 m interval.
Orientation of data in relation to geological structure	• The location and orientation of the Shine drilling is appropriate given the strike and morphology of the iron mineralisation.
Audits and reviews	• Snowden is not aware of any audits or reviews for the Shine deposit.

JORC Code (2004) Table 1 – estimation and reporting of Mineral Resources

Item	Comments
Database integrity	• Snowden undertook a basic check of the data provided by Gindalbie for potential errors as a preliminary step to compiling the resource estimate. No significant flaws were identified.
Geological interpretation	• The Fe mineralisation has been interpreted based on a mixture of Fe threshold grades and the geological logging. • Alternative interpretations of the mineralisation are unlikely to significantly change the overall volume of the Fe mineralised envelopes in terms of the reported classified resources at a 55% Fe cut-off. • Snowden validated the geological interpretation by conducting a categorical indicator estimate at a 50% Fe threshold. The mineralisation interpretation matches well with the categorical model.
Dimensions	• The Shine deposit is hosted within a north-south trending BIF. The mineralisation parallels the stratigraphy, trends roughly north-south and is sub-vertical, with a total strike length of about 1.3 km.
Estimation and modelling techniques	• Ordinary block kriging using hard boundary domains. Block model constructed using a parent cell size of 10 mE by 50 mN by 10 mRL, based on kriging neighbourhood analysis. • Only hematite mineralisation was modelled.
Moisture	• All tonnages have been estimated as dry tonnages.
Cut-off parameters	• The Fe mineralisation was reported above a 55% Fe cut-off grade, provided by Gindalbie. • Snowden believes that the cut-off grade is reasonable for hematite mineralisation.
Mining factors and assumptions	• It is assumed the deposit will be mined using open cut methods.
Metallurgical factors and Assumptions	• It is assumed that the hematite ore will be direct shipping with minimal processing required (crushing and screening only).
Density	• The bulk density was estimated into the model blocks using ordinary kriging based on downhole geophysical logging. • The average bulk density value (2.68 t/m^3) is reasonable for hematite mineralisation.
Classification	• The resources have been classified based on the continuity of both the geology and the Fe grades, along with the drillhole spacing and data quality.
Audits and reviews	• Snowden completed an internal review of the resource model.
Accuracy and confidence	• The block model grade estimates were validated against the drillhole composites to ensure that the model reflects the input data.